History of CPUC Action on Third-Party Programs

(3/24/2015 J. Clinton. Draft subject to check)

Decision Number or Date	Third-Party Related Action
2000	Commission responds to the energy crisis by adopting the Summer Initiative programs to run in parallel with the utility PGC programs – allocating $72 million in unspent funds from prior years. ***Commission allowed non-utilities to propose programs***; Energy Division staff selected programs.
2001	In addressing the energy crisis Legislature appropriates $97 million from General Fund to the Commission for energy efficiency programs in SB X1 -5. Energy Division staff managed contracts with large and small utilities, cities ***and companies.***
2001 D.01-11-066	***Established the rules for IOUs and third parties in seeking local funding***. We made ***third parties eligible for $100 million*** in funding available in 2002 and 2003 for local programs. We made IOUs Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (Edison or SCE), and Southern California Gas Company (SoCalGas or SCG) eligible for $25 million in local program funding. Evaluated proposals ***by IOUs and non-utilities*** with criteria and point system: (1) Long-term annual energy savings — 25 points (2) Cost effectiveness — 20 points (3) Addressing market failures or barriers — 17 points (4) Equity considerations — 15 points (5) Electric peak demand savings — 10 points (6) Innovation — 8 points (7) Synergies and coordination with programs run by other entities — 5 points Where we funded one program in more than one IOU's territory, we appointed a single IOU to oversee the program in all areas. *Findings of Fact:* 3. The best proposals/proposers: offer comprehensive service; provide a local presence; have a demonstrated history of success; are innovative; reach the hard-to-serve or niche markets not already served; reach a market that the IOUs did not propose to serve this year; serve a geographic area needing programs; advance emerging technologies; provide persistent, long-term energy savings; deliver services to small business; present the program honestly and credibly; propose reasonable budgets; leave lasting change or infrastructure at the local level; provide maximum benefits to program participants rather than being heavy on overhead; help solve transmission constraints; and work closely with or represent existing city and county governments and institutions. 4. Historically, the single and multi-family residential sectors have been hard to reach and slow to utilize new energy efficiency programs. 5. Small- and medium-sized businesses are another hard-to-reach sector that has been particularly hard-hit by rising energy costs. We ***also made non-utilities eligible to compete*** with the investor-owned utilities (IOUs) for $10.1 million available to fund general ***statewide energy efficiency marketing and outreach.***
2002-2003	Commission made $104 million available to ***non-utility programs.*** Continued Energy Division proposal review and program management of non-utility programs begun by the Summer Initiative and SB X1 -5.
D.02-03-056	State Department of Consumer Affairs and Univision Television Group will implement statewide marketing and outreach programs, with $10.1 mil.

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D.02-05-046 Interim Opinion Selecting 2002-03 Local Energy Efficiency Programs	Awarded $102,030,037 to a ***combination of governmental entities, non-profits and community based organizations, small businesses, consulting firms, investor owned utilities (IOUs) and other entities*** dedicated to providing energy efficiency measures ***at the local level***. (per rules of D.01-11-066)
D.03-12-060 Funding for 2004-05 Energy Efficiency Programs and Studies	**Non-Utility Programs.** Approve funding for programs by 38 entities that include local governments, non-profit/community based organizations, and private firms. Funding for these programs will be $99.4 million, not including funding for partnerships between utilities and government agencies. The non-utility programs for which we authorize funding today create a diverse portfolio of residential and nonresidential programs that complement statewide programs offered by the utilities. They ***focus on hard-to-reach sectors*** such as very small commercial customers, mobile home residents in rural communities, agricultural and industrial customers. Some offer information, education, and training programs to a variety of customer segments. Among them are a number of local programs funded in 2002-03 that have been successful and promote the diversity of the portfolio. ***Each non-utility program implementer has been assigned to a single utility*** that will administer their contract(s). ***Non-utility program implementers will continue to be eligible for a performance award for up to 7% of a program's approved budget***. Awards are at the discretion of the Commission and its designees. The amount of the award will depend on program success as measured by Commission approved program goals. We note that the total budgets approved for each non-utility program, as shown in Attachments 1, 7 and 8, include the 7% performance award.
2005 D.05-01-055 EE Administrative Structure	IOUs will identify a **minimum of 20% of funding for the entire portfolio that will be put out to competitive bid to third parties** ***for the purpose of soliciting innovative ideas and proposals for improved portfolio performance***. With input from the advisory groups, the IOUs will specify the portion(s) of the portfolio to put out to bid (for example, they could be sector-specific, could focus on peak savings, etc.), as well as the proposed bid evaluation criteria. The portions to put out to bid could encompass programs currently designed and delivered by a combination of IOU and non-IOU program implementers. The **bid solicitation should be designed to improve performance of the portfolio in terms of producing the most cost-effective energy savings that meet or exceed our savings goals**. Any current program or group of programs (IOU or non-IOU designed and implemented) that can be improved upon in this way may be subject to open bids to replace, augment or otherwise enhance current efforts. We believe that a 20% minimum requirement for open bidding along the lines discussed above captures the potential benefits of competition and serves as an added safeguard against selection bias. At the same time, it provides sufficient flexibility to avoid imposing competitive bidding on program offerings that are more effectively delivered using other approaches. We will adopt the 20% minimum requirement for the next funding cycle, beginning in 2006, but may modify it for subsequent funding cycles, as appropriate. …in the past we have directed IOUs to "pursue the most cost-effective DSM resource programs first, if **doing so does not create lost opportunities**."[1] **This policy should apply**

[1] *Id.*

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	equally to third-party bidders and non-IOU program implementers, and should be reflected in the bid solicitation and evaluation criteria.[2] In terms of how to develop the RFPs, evaluate the bidders and make final selections, we will **use procedures similar to the ones we recently adopted for supply- side competitive solicitations** in D.04-01-050, utilizing the advisory group structure… The Peer Review Group reviews and provides feedback on the portion of the portfolio that the IOUs plan to put out to bid, as well as the evaluation criteria. As discussed in this decision, **Energy Division staff may hire independent contractors to assist in providing feedback to the IOUs** on these issues. ***The Peer Review Group assessment should also address whether the statewide portfolio meets the Commission's policy objectives.*** **Commr. Michael Peevey Concurrence:** … I know that utilities require any decision on a program to be vetted through multiple layers of bureaucracy and that therefore action is often extremely slow, as a consequence. But as of the time of this vote, I do not see immediate viable options for non-utility administrators. Perhaps options can be developed, but I have not yet seen a proposal that seems to me to have a reasonable chance of success in the near term. However, I do not wish my vote on this matter to be taken as a sign that I am not open to new and innovative approaches to this issue. ***I also want to put the utilities on notice that this decision today is not a guaranteed entitlement to utility administration of energy efficiency for the rest of eternity. We intend to monitor the efforts of the utilities to meet their aggressive energy efficiency goals very carefully,*** and the new evaluation structure included in this decision is designed in large part to make sure that review happens. ***In order to meet their goals, the utilities absolutely <u>must</u> become more nimble and innovative when it comes to delivering energy savings to their customers.*** If this happens, then we will be on the right path. ***If this does not happen, I will be the first on this Commission to propose that we find a different administrative option*** by the end of this next three-year program cycle. **Commr. Geoffrey Brown Concurrence:** I have long felt that utilities, while they have developed and implemented a number of fine energy efficiency programs, are not particularly innovative. Their overly-bureaucratic focus on the "tried and true" can discourage new ideas. This is especially true when the new ideas are "not invented here" – that is, at the utility. Historically, utilities have wanted programs to stay within their control as much as possible, even at the expense of innovation and additional energy savings. ***I would like to see a system where the best programs – the most cost-effective, the highest energy savings – are implemented regardless of source. Utilities should be in the game, but they have no monopoly on good ideas***. I have seen many examples of programs run by local government and private entities that are innovative and effective. ***I am concerned that the 80/20 allocation in the decision***, and the overall utility control of the programs, ***will limit the explorations of new frontiers.***

[2] *Ibid.,* p. 56-57.

Policy Manual (version 5, July 2013)

Glossary: Third Party. Non-regulated implementers of ratepayer funded energy efficiency activities.

Competitive Bidding for Third Party Programs. (page 6, item 10) Competitive solicitations can help to identify innovative approaches or technologies for meeting savings goals with improved performance that might not otherwise be identified during the program planning process, and can take advantage of the unique strengths that third parties bring to the table. For each program planning cycle, the IOUs shall propose a portfolio of programs that reflects the continuation of successful IOU and non-IOU implemented programs. As part of that process, the IOUs will identify a minimum of 20% of funding for the entire portfolio of programs that will be put out to competitive bid to third parties for the purpose of soliciting innovative ideas and proposals for improved portfolio performance.

a. IOUs will develop and issue RFPs using criteria approved by the Commission and select a set of bids. The Peer Review Groups (including Commission staff and their independent consultant(s)) will observe the IOUs' bid selection process to ensure that the criteria are applied properly. Before finalizing their selections, the IOUs will discuss the proposed results of their bid review process with the Peer Review Groups (PRGs, including Energy Division's independent consultants).

2013-2014 2-Year Authorized Portfolio -- Statistics on Third-Party Programs

(from EE Primer on CPUC EE Web Page, slides #15, 17, 18, using 2013-14 Portfolio Applications, with *conflicting data and before budget reduced by 10%*)

Metrics	Values	% of Portfolio
2013-2014 2-Year Authorized Portfolio Budgets	$2.044 bil budget	
Third Party (By Delivery)	$ 538 million 1,408 GWH/3802 GWH	26% 37%
Third Party (by Program)	$ 304 million ($355 mil on slides 17 & 18) 679 GWH/ 4670 GWH	15% 17% 14.5%

Examples of Third-Party Programs (from EE Primer on CPUC EE Web Page, slides # 87,89,90 using 2013-14 Portfolio Applications)

Sector	Programs
Residential	Online Buyers Guide (SCE)
Commercial	Programs targeting: - Hospitals - Lodging - Schools - Office buildings
HVAC	AirCare Plus (PG&E) Premium Efficiency Cooling (SDG&E) Residential Upstream Distributor Rebate Residential to Code Rebate